

Buying Property Subject To Mine Subsidence

What is mine subsidence and how can it impact property buyers?

What is mine subsidence?

Mine subsidence is the gradual sinking of land caused by the removal of underground resources, such as coal, oil, minerals, or natural gas. This downward or outward movement of the surface of the earth can take many years to play out, or it can occur suddenly, causing extensive damage to any structure built on the surface. In some cases, homeowners can buy property that is subject to mine subsidence or landslip, but they need to be aware of the risks involved.

Is mine subsidence considered a high risk?

Not generally, no. However there are some risks if you're building on the property. The risk of landslides, for example, is higher when the property is near or directly above an old or active mine, or a landfill area.

Property is treated as normal when it is not either on or near a landfill area.

You can consult a local valuer to find out if your property is at risk. He will know the area and can also contact the council about mine subsidence areas. If he is not sure of the risk level, bank lenders will regard it as high risk.

Does mining affect property prices?

To quote Subsidence Advisory NSW, a government website, "There are many areas in NSW where the presence of underground mining is well known and there is high demand for property.

SANSW provides a fair, efficient and sustainable compensation scheme for dealing with the impacts of coal mine subsidence to protect the value of property and safety of the community. For example, Newcastle has a long history of successfully managing subsidence risks while maintaining a vibrant property market." [<https://www.nsw.gov.au/subsidence-advisory/districts>]

Properties that are adversely *affected* by mine subsidence may be price attractive. However, other properties that are just *subject to* possible mine subsidence (i.e., they are in the zone of influence) don't seem to be any cheaper than properties that are not in a zone of influence.

How do lenders view mine subsidence?

When a property is built on top of an old mine, there could be substantial areas of unfilled land below. This naturally increases the level of risk. The closer your property is to an old mine, the higher the risk. And this assessment model applies to both purchasing and refinancing.

The good news is that land that is not directly above an old mine is treated as normal property and you can borrow up to 95%, even if it's in a mine subsidence area.

Can I get a loan for a property that's subject to mine subsidence?

Some lenders won't help, some will. We have lenders on our books who will support a mine subsidence purchase, subject to the valuer rating the property as an acceptable security. While some lenders will finance up to 95%, others will even lend 100% of the property price if you have a guarantor.

What if my loan application is turned down by the lender?

There are other lenders and other registered valuers with different views on risk and different loan criteria. We can approach them to hopefully find one that will approve your mortgage.

One more thing... insurance

If you are considering the purchase of a property that may be subject to mine subsidence, ask your insurer whether they will give you insurance coverage. Some will, some won't.